**OPERATION PLAN**

**STRATEGY AND IMPLEMENTATION**

Vancouver Distillery Works is distilling vodka using local ingredients and focusing the vodka sales towards women using creative labels and marketing strategy. This vodka targets the ultra premium market sought out by vodka connoisseurs. Before actual sales can begin, Vancouver Distillery Works is finalizing the extensive application process for Washington State and the Federal Alcohol and Tobacco Tax and Trade Bureau as to comply with all regulations. The application for the appropriate Liquor License is in process and official operations will begin upon final approval of all licenses. This is a lengthy process and an expected date of approval is in August of 2012. Below is the list of required applications for Washington State:

Applications, Added Activities and Class Permits

* Temporary Pre-Approval Permit Acknowledgment Form
* Alteration Request
* Application for Added Endorsement/Fee Sheet
* Spirits/Beer/Wine Restaurant or Restricted/Not Serving the General Public
* Class Permits
* 4 (Serve employees or guests)
* 8 and 9 (Non-retail trade show alcohol service)
* 10 (Non-retail donation or liquor service without charge to an international trade fair, show, or exposition)
* Warehouse Registration (Washington, 2011)

The list below shows the required applications for the Federal Alcohol and Tobacco Tax and Trade Bureau:

* Information letter
* Questions & Answers
* TTB F 5000.8 Power of Attorney
* TTB F 5000.9 Personnel Questionnaire
* TTB F 5000.29 Environmental Information
* TTB F 5000.30 Supplemental Information on Water Quality Considerations
* TTB F 5100.1 Signing Authority for Corporate and LLC Officials
* TTB F 5100.24 Application for Basic Permit Under FAA Act
* TTB F 5110.41 Registration of Distilled Spirits Plant
* TTB F 5110.56 Distilled Spirits Bond
* Interest/Stockholders List Sample format: Reporting stock/share distributions
* National Historic Preservation Act
* SS-4 Application for Employer Identification Number
* Quarterly Excise Tax Payment Procedures
* Required: Source of Funds & Property Lease Information

Once the application is approved and the vodka recipe is finalized, John Bennett will commence sales calls to local spirit retailers and hold tastings across Vancouver, WA to introduce the vodka to market as well as distribute cases of vodka to the Washington State Liquor board for distribution to local State run liquor stores. As the market share increases Vancouver Distillery Works, will move to a new location in downtown Vancouver, WA allowing increased awareness and become part of the local business scene.

Currently Vancouver Distillery Works is located in East Vancouver in a low cost rental warehouse that is about 1000 square feet at $1,000.00 month. During the first year, this facility allows Vancouver Distillery Works to build market share and limit expenditures reducing start up risks. Vancouver Distillery Works will move to a larger location in downtown Vancouver for its Grand opening in year two allowing larger equipment and storage for supplies reducing the per bottle cost and to increase brewing capacity to well over 15,000 cases a year.

Adding a salesperson in year two to help expand the physical market increasing demand across Washington and other states will rapidly increase demand and drive up production. The staff’s hours will increase over the second year and additional staff may be required to handle bottling and tracking which is built into the budget. The goal is to be profitable by year three and free of all financial obligations.

Vodka is distilled using several steps that take grain, rice, corn, or other ingredients’ from a solid state to withdrawing the products sugar and fermenting that sugar into alcohol that is close to 95% pure the cut with water to get a 40% or 80 proof clear alcohol that can be sold as vodka. First, the vegetable matter that is chosen needs to be put into a mash tank, combined with water, heated to a 145-150 degrees Fahrenheit until all the sugars are released into the water. Once complete the water is then drained into a fermentation tank to allow for natural fermentation for approximately five days. This fermented liquid is pumped into a reflux still that will boil of the water and drain out the alcohol to a cutting tank. The cutting tank is where water is added to the vodka to bring the alcohol level down from 95% or 190 proof to 40% or 80 proof as required by law. Lastly, the vodka is now bottled and ready to distribute to the consumers for enjoyment.

**FACILITIES AND EQUIPMENT PLAN**

The current location of Vancouver Distillery Works is a small warehouse, at12401 NE 60th Way Unit A7, Vancouver Washington, 98682, fitting the needs of startup and expected to handle the first year capacity of approximately 800 cases of vodka. Within the 1,000 square foot, facility is the distilling equipment and product storage. Attached is an office that is separated by a wall and outside the restricted area prescribed by the Washington State Liquor Control Board. The area around the distilling and storage area is fenced off, locked, and posted that a person must be 21 or older to enter the area.

The total capital expenditures for Vancouver Distillery Works is approximately $100,000.00 for the equipment required to distill vodka in year one. In year two the tasting room and moving expenses are expected to be approximately $30,000.00. This list will be expanded in year two when Vancouver Distillery Works moves to a larger location downtown Vancouver to enhance its presence and become part of the local business scene. Below is the list and pricing of the required equipment:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Capital Purchases** |  |  |  | |
| **Item** | **Cost** | **Purchase Date** | | |
| **Equipment** |  |  | |  |
| Bottle Filler | $3,000 | Sep | | 2012 |
| Forklift | $1,500 | Sep | | 2012 |
| Pot Still with Vodka Tower | $20,000 | Sep | | 2012 |
| Mash Pot | $18,000 | Sep | | 2012 |
| Fermentation Tanks | $15,000 | Sep | | 2012 |
| Fruit Press | $6,000 | Sep | | 2012 |
| Pumps | $6,000 | Sep | | 2012 |
| Steam boiler | $10,000 | Sep | | 2012 |
| Still support equipment | $5,000 | Sep | | 2012 |
| Blending/Bottling Tank | $18,000 | Sep | | 2012 |
| **Computer Hardware/Software** |  |  | |  |
| Office Computer | $1,000 | Sep | | 2013 |
| Accounting System | $1,000 | Sep | | 2013 |
| Inventory System | $1,000 | Sep | | 2013 |
| **Telecommunications** |  |  | |  |
| Office Line | $500 | Sep | | 2013 |
| Internet Access | $500 | Sep | | 2013 |
| Cell phone (3) | $500 | Sep | | 2013 |
| **Tasting Room** |  |  | |  |
| Construction of Tasting Room | $4,000 | Sep | | 2013 |
| Retail Racks | $1,000 | Sep | | 2013 |
| Small bar | $1,000 | Sep | | 2013 |

**HUMAN RESOURCES PLAN**

John Richard Bennett is the CEO as well as CFO and sales person for the first year. Along with John and his son’s Austin John Bennett and Adam Jacob Zahn will be operating the distillery. They all participate in all aspects of the distillery, as they are all limited partners in a family business. In the future as operations expand and demand grows additional, employees will be added as required to fulfill orders in a timely manner. John and son’s are not going to take a salary from the distillery until the business proves to be financially sound and all loans are paid in full. Upon financial stability, the profits are shared evenly between John, Adam, and Austin. Once Vancouver Distillery Works is profitable, additional staff will be added as needed including, office manager, sales reps, and distilling staff, cleaning staff, bottlers, and distributing personal.

The first year costs for employees is planned as one office manager at part time for a total of $9,936 in wages and taxes and a master distiller contracted as an independent contractor for a total of $57, 500 annually including taxes and no benefits. By year five the intention is to bring the office manager on full time and increase the rate of pay to $38,317 a year and the master distiller to be at $57,376 per year still as independent contractors. However, due to the possibility of the distillery to expand faster than planned this will be expanded to bring on more employees to fulfill orders within current capacity.

**TECHNOLOGY PLAN**

Current MS Office programs are being used for startup and first year operations. Use of Excel spreadsheets are being used to track all processes, batch profiles, recipe changes, inventory control, accounting, and customer database. Once production is in full scale, an appropriate database will handle all business data. Due to current business practices and Taxation laws, all information will be stored onsite available for inspection by ATF Officers as well as a copy sent to an offsite location to keep a daily backup of all data in an offsite secure location in case of disaster (Sec. 19.723, p. 360, 1998).

The Federal Alcohol and Tobacco Tax and Trade Bureau govern the equipment that is used to distill vodka and any new technology will be released for use after thorough inspection. This affects the technology by not advancing quickly thus any major equipment changes are expected in the next five years. The still and equipment that is being used has been around for at least 100 years without and major advances. Due to the lack of advancements, the procedures for distilling have not changed and the process is well defined and practiced. This means that no major expenses will be incurred to keep up with technology.